Network Rail Infrastructure Limited

Interim financial statements

Six months ended 30 September 2010

Contents

Financial highlights

	Unaudited six months ended 30 September 2010 £m	Unaudited six months ended 30 September 2009 £m	Variance £m	Variance
Revenue	**2,870**	2,843	27	0.9%
Net operating costs excluding depreciation and amortisation	**(1,146)**	(1,187)	41	3.5%
Net operating costs	**(1,746)**	(1,749)	3	0.2%
Operating profit	**1,124**	1,094	30	2.7%
Profit after taxation	**275**	99	176	178%
Net cash from operating activities	**1,594**	1,638	(44)	(2.7)%
Capital expenditure	**1,732**	1,791	(59)	(3.3)%

	Unaudited 30 September 2010 £m	Audited year ended 31 March 2010 £m	Movement £m
Net debt	**23,973**	23,838	135
Net assets	**7,245**	6,555	690
Property, plant and equipment – the railway network	**38,540**	36,629	1,911
Investment property	**760**	764	(4)

Commentary

Summary

The interim results for the half year to 30 September 2010 show Network Rail making better than planned progress in delivering efficiencies while at the same time delivering on performance for rail users. Network Rail is committed to driving down the cost of the railway to the British people. Although we have made significant strides we have more to do to meet our challenging targets.

Almost £200m has been saved by Network Rail from the cost of running the national rail network in the first six months of the year and we are on track to achieve around £400m of savings by the end of the financial year.

The government's comprehensive spending review has reinforced the value of our railway and the vital part it plays in generating economic growth. Network Rail is committed to building extra capacity to relieve overcrowding and delivering a railway that is safer, more reliable and lower cost.

Efficiencies

Network Rail was set the demanding task by its regulator of improving efficiency by 22% between 2009 and 2014. Last year we achieved 3.6%. Today the company has achieved further savings of £200m in the first six months and is on track to achieve around £400m, or 9%, of savings in this financial year. Total efficiency over the first two years of this control period is forecast to reach 12.5%. This has been achieved by delivering capital works for less, better asset management and reducing operating and maintenance costs reflected in headcount reductions of some 1,100 since March 2010.

Investment

The outcome of the government's comprehensive spending review has underlined the importance of Network Rail seeing through the delivery of its investment plans. Significant progress has been made on the upgrade of the Thameslink route with major work starting at Blackfriars station, as well as at projects at Birmingham New Street, Reading and on Crossrail.

Work has all but finished on completing the Airdrie-Bathgate line, creating an additional direct route between Glasgow and Edinburgh passing through previously unconnected towns such as Caldercruix, Blackridge and Armadale. The line will be the longest new mainline passenger railway with stations in Scotland for over a century – passenger services begin next month, with the project on time and on budget.

Revenues

Revenue increased in the period in line with the business plan. Most of our turnover is indexed to RPI – the effective rate for the period was 0.3% and turnover increased accordingly. Network Rail's income is largely fixed by the regulatory regime which means that we place great emphasis on cost efficiency and making sure that marginal costs are exceeded by marginal income.

Debt

Net debt of £23,973m remains at a sustainable level, up slightly from £23,838m at the last year end. Network Rail is confident that its debt is well managed and the company has a policy of appropriately hedging against market movements. The company issued no bonds in the half year but is confident that its issuance programme will remain attractive to the market.

Assets

The valuation of the railway network rose to £38,540m at 30 September 2010 from £36,629m at 31 March 2010, reflecting the capital invested in the infrastructure over the six months.

Outlook

The early findings of the government-commissioned Sir Roy McNulty value for money study show that there are clear opportunities for the whole rail industry to make further savings.

Our figures today demonstrate Network Rail is showing the way in driving down costs, thus expanding the number of options for the government in consideration of the demands of rail users and tax payers. Ultimately these savings can be passed to the British people.

Patrick Butcher
Finance Director
24 November 2010

Statement of directors' responsibilities

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial information and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report.

The Directors of Network Rail Infrastructure Limited are listed in the Network Rail Infrastructure Limited Report and Accounts for the year ended 31 March 2010. Since those accounts there have been four changes to the Board composition in that Yvonne Constance and Chris Green retired from the Board in July 2010 at the conclusion of the AGM, Malcolm Brinded joined in October 2010 and Iain Coucher stepped down in October 2010. David Bailey will retire from the Board on 30 November 2010. A list of current Directors is available on the Company's website: www.networkrail.co.uk.

Independent review report

to Network Rail Infrastructure Limited

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 10. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants

24 November 2010
London, United Kingdom

Consolidated income statement

	Notes	Unaudited six months ended 30 September 2010 Results pre debt and derivative revaluations £m	Debt and derivative revaluations (Note 4) £m	Total £m	Unaudited six months ended 30 September 2009* £m	Audited year ended 31 March 2010* £m
Revenue	2	**2,870**	**-**	**2,870**	2,843	5,668
Net operating costs	3	**(1,746)**	**-**	**(1,746)**	(1,749)	(3,687)
Operating profit		**1,124**	**-**	**1,124**	1,094	1,981
Revaluation movements and profits on disposal of properties		**(6)**	**-**	**(6)**	(54)	62
Total profit from operations		**1,118**	**-**	**1,118**	1,040	2,043
Investment revenue	4	**16**	**-**	**16**	14	26
Other gains and losses	4	**-**	**(165)**	**(165)**	(324)	(473)
Finance costs	4	**(670)**	**-**	**(670)**	(584)	(1,201)
Profit before tax		**464**	**(165)**	**299**	146	395
Tax	5	**(79)**	**55**	**(24)**	(47)	(111)
Profit after tax for the period		**385**	**(110)**	**275**	99	284

All amounts in the current and prior periods relate to continuing activities.

* Debt and derivative revaluations resulted in £324m of expense before tax in the six months to 30 September 2009 and £473m expense before tax in the year to 31 March 2010.

Consolidated statement of comprehensive income

	Unaudited six months ended 30 September 2010 £m	Unaudited six months ended 30 September 2009 £m	Audited year ended 31 March 2010 £m
Profit for the period	**275**	99	284
Gains/(loss) on revaluation of the railway network	**805**	(653)	(1,033)
Losses on movement in fair value of hedging derivatives	**(371)**	(91)	(179)
Reclassification of balances in hedging reserve to finance costs in the income statement	**-**	2	4
Exchange differences on cash flow hedges reclassified from the hedging reserve	**202**	176	154
	(169)	87	(21)
Actuarial losses on defined benefit pension schemes	**(112)**	(314)	(292)
Impact of change in tax rate	**38**	-	-
Tax relating to components of other comprehensive income	**(147)**	245	376
Other comprehensive income/(expense) for the period	**415**	(635)	(970)
Total comprehensive income/(expense) for the period attributable to equity shareholders	**690**	(536)	(686)

Consolidated statement of changes in equity

	Share capital £m	Share Premium £m	Revaluation Reserve £m	Other Reserve £m	Hedging Reserve £m	Retained Earnings £m	Total £m
Balance at 31 March 2010 (Audited)	**160**	**85**	**3,448**	**1,458**	**(334)**	**1,738**	**6,555**
Profit for the period	-	-	-	-	-	275	**275**
Impact of change in tax rate	-	-	51	-	(4)	(9)	**38**
Revaluation of the railway network	-	-	805	-	-	-	**805**
Transfer of deemed cost depreciation from revaluation reserve	-	-	(87)	-	-	87	**-**
Decrease in fair value of hedging derivatives	-	-	-	-	(371)	-	**(371)**
Exchange differences on cash flow hedges reclassified from the hedging reserve	-	-	-	-	202	-	**202**
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(112)	**(112)**
Tax relating to components of other comprehensive income	-	-	(201)	-	47	7	**(147)**
Balance at 30 September 2010 (Unaudited)	**160**	**85**	**4,016**	**1,458**	**(460)**	**1,986**	**7,245**

	Share capital £m	Share Premium £m	Revaluation Reserve £m	Other Reserve £m	Hedging Reserve £m	Retained Earnings £m	Total £m
Balance at 30 September 2009 (Unaudited)	**160**	**85**	**3,765**	**1,458**	**(256)**	**1,493**	**6,705**
Profit for the period	-	-	-	-	-	185	**185**
Revaluation of the railway network	-	-	(380)	-	-	-	**(380)**
Transfer of deemed cost depreciation from revaluation reserve	-	-	(60)	-	-	60	**-**
Decrease in fair value of hedging derivatives	-	-	-	-	(88)	-	**(88)**
Exchange differences on cash flow hedges taken to the hedging reserve	-	-	-	-	(22)	-	**(22)**
Reclassification of balances in hedging reserve to finance costs in the income statement	-	-	-	-	2	-	**2**
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	22	**22**
Tax relating to components of other comprehensive income	-	-	123	-	30	(22)	**131**
Balance at 31 March 2010 (Audited)	**160**	**85**	**3,448**	**1,458**	**(334)**	**1,738**	**6,555**

Consolidated statement of changes in equity (continued)

	Share capital £m	Share Premium £m	Revaluation Reserve £m	Other Reserve £m	Hedging Reserve £m	Retained Earnings £m	Total £m
Balance at 31 March 2009 (Audited)	**160**	**85**	**4,298**	**1,458**	**(318)**	**1,558**	**7,241**
Profit for the period	-	-	-	-	-	99	**99**
Revaluation of the railway network	-	-	(653)	-	-	-	**(653)**
Transfer of deemed cost depreciation from revaluation reserve	-	-	(87)	-	-	87	**-**
Decrease in fair value of hedging derivatives	-	-	-	-	(91)	-	**(91)**
Exchange differences on cash flow hedges reclassified from the hedging reserve	-	-	-	-	176	-	**176**
Reclassification of balances in hedging reserve to finance costs in the income statement	-	-	-	-	2	-	**2**
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(314)	**(314)**
Tax relating to components of other comprehensive income	-	-	207	-	(25)	63	**245**
Balance at 30 September 2009 (Unaudited)	**160**	**85**	**3,765**	**1,458**	**(256)**	**1,493**	**6,705**

Consolidated balance sheet

	Notes	Unaudited 30 September 2010 £m	Unaudited 30 September 2009 £m	Audited 31 March 2010 £m
Assets				
Non-current assets				
Intangible assets		**68**	73	72
Property, plant and equipment – the railway network	6	**38,540**	35,476	36,629
Investment property		**760**	669	764
Investments in joint ventures		**5**	5	5
Loan to immediate parent company		**397**	387	391
Derivative financial instruments		**584**	640	702
Finance lease receivables		**7**	8	8
Total financial assets		**993**	1,040	1,106
		40,361	37,258	38,571
Current assets				
Inventories		**120**	96	132
Finance lease receivables		**2**	3	2
Trade and other receivables		**658**	456	720
Current tax asset		**-**	-	6
Derivative financial instruments		**239**	205	297
Cash and cash equivalents		**1,055**	2,674	2,321
		2,074	3,434	3,478
Total assets		**42,435**	40,692	42,049
Current liabilities				
Trade and other payables		**(2,801)**	(2,816)	(3,043)
Current tax liabilities		**(7)**	(5)	-
Bank overdrafts and loans	7	**(1,816)**	(2,378)	(2,223)
Derivative financial instruments		**(358)**	(324)	(210)
Short-term provisions		**(36)**	(9)	(57)
		(5,018)	(5,532)	(5,533)
Net current liabilities		**(2,944)**	(2,098)	(2,055)
Non-current liabilities				
Bank loans and debt issued	7	**(22,962)**	(22,219)	(23,380)
Derivative financial instruments		**(767)**	(357)	(507)
Other payables		**(1,989)**	(1,617)	(1,887)
Retirement benefit obligation		**(1,127)**	(998)	(985)
Deferred tax liabilities		**(3,325)**	(3,263)	(3,200)
Obligations under finance leases		**(2)**	(1)	(2)
		(30,172)	(28,455)	(29,961)
Total liabilities		**(35,190)**	(33,987)	(35,494)
Net assets		**7,245**	6,705	**6,555**

Consolidated balance sheet (continued)

	Notes	Unaudited 30 September 2010 £m	Unaudited 30 September 2009 £m	Audited 31 March 2010 £m
Equity				
Share capital		**160**	160	160
Share premium account		**85**	85	85
Revaluation reserve		**4,016**	3,765	3,448
Other reserve		**1,458**	1,458	1,458
Hedging reserve		**(460)**	(256)	(334)
Retained earnings		**1,986**	1,493	1,738
Total shareholders' funds and equity attributable to equity holders of the parent company		**7,245**	6,705	6,555

This interim financial report was approved by the Board of Directors on 24 November 2010.

It was signed on its behalf by:

Patrick Butcher (Director)

Consolidated cash flow statement

	Note	Unaudited six months ended 30 September 2010 £m	Unaudited six months ended 30 September 2009 £m	Audited year ended 31 March 2010 £m
Net cash generated from operating activities	8	**1,594**	1,638	2,234
Investing activities				
Interest received		**10**	8	24
Purchases of property, plant and equipment – the railway network		**(1,831)**	(1,987)	(3,939)
(Loss)/gain on disposal of properties		**(3)**	-	1
Capital grants received		**157**	114	339
Capital element of finance leases' receipts		**1**	2	2
Net cash used in investing activities		**(1,666)**	(1,863)	(3,573)
Financing activities				
Repayment of borrowings		**(889)**	(227)	(1,416)
Repayment of obligations under finance leases		**-**	(2)	-
New loans raised		**1**	2,027	4,053
Collateral repaid to counterparties		**(306)**	(742)	(508)
Gain on settlement of hedge to prefund debt repayment		**-**	103	-
Losses on derivatives not hedge accounted		**-**	-	(192)
Net cash (used in)/generated from financing activities		**(1,194)**	1,159	1,937
Net (decrease)/increase in cash and cash equivalents		**(1,266)**	934	598
Effect of foreign exchange rates		**-**	17	-
Cash and cash equivalents at beginning of the period		**2,321**	1,723	1,723
Cash and cash equivalents at the end of the period		**1,055**	2,674	2,321

Notes to the interim financial statements

Six months ended 30 September 2010

1. General information

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2010 were approved by the Board of Directors on 3 June 2010 and delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498 of the Companies Act 2006.

This condensed consolidated interim financial information has been reviewed, not audited. The condensed consolidated interim financial information should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2010, which have been prepared in accordance with IFRSs as adopted by the European Union. A copy of this document is available on the Company's website: www.networkrail.co.uk.

Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2010, as described in those financial statements.

The following new standards, amendments and interpretations are mandatory for the first time for the financial year beginning 1 April 2010 but are not expected to result in a material impact on the Group's financial statements:

IAS 27 (revised) *'Consolidated and separate financial statements'*
IFRS 3 (revised) *'Business combinations'*
IFRIC 17 *'Distribution of non-cash assets to owners'*
IAS 38 (amendment) *'Intangible Assets'*
IFRS 2 (amendments) *'Group cash settled and share-based payment transactions'*
IFRS 5 (amendment) *'Measurement of non-current assets (or disposal groups) classified as held-for-sale'*
IAS 1 (amendment) *'Presentation of financial statements'*

Other standards, amendments and interpretations effective for the first time for the financial year beginning 1 April 2010 and not discussed above are not relevant to the Group.

Going concern

The Directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim financial statements.

Business segments

No segmental analysis is provided because the Company operates one class of business, that of managing the national rail infrastructure and undertakes that class of business in one geographical segment, Great Britain.

2. Revenue

	Unaudited six months ended 30 September 2010 £m	Unaudited six months ended 30 September 2009 £m	Audited year ended 31 March 2010 £m
Passenger franchise revenue and network grant	**2,734**	2,701	5,387
Freight revenue	**25**	28	52
Property rental income	**100**	103	206
Other income	**11**	11	23
	2,870	2,843	5,668

The effect of the performance regimes on the results of the Group was net income of £45m (six months to 30 September 2009: net income of £58m).

3. Net operating costs

	Unaudited six months ended 30 September 2010 £m	Unaudited six months ended 30 September 2009 £m	Audited year ended 31 March 2010 £m
Employee costs*	**839**	839	1,746
Own costs capitalised	**(244)**	(239)	(680)
Other external charges (including infrastructure maintenance costs)	**661**	704	1,730
Other operating income	**(110)**	(117)	(250)
Net operating costs before depreciation	**1,146**	1,187	2,546
Depreciation and other amounts written off non-current assets	**626**	587	1,193
Capital grants amortised	**(26)**	(25)	(52)
Net operating costs	**1,746**	1,749	3,687

* The average number of employees (including Executive Directors) in the six months ended 30 September 2010 was £35,963 (six months ended 30 September 2009: £37,174). Annualised average cost per employee was £46,659 (six months ended 30 September 2009: £45,140).

4. Investment revenue, finance costs and other gains and losses

	Unaudited six months ended 30 September 2010 £m	Unaudited six months ended 30 September 2009 £m	Audited year ended 31 March 2010 £m
Investment revenue			
Interest receivable on investments and deposits	**16**	14	26
Total investment revenue	**16**	14	26
Finance costs			
Interest payable on debt	**(710)**	(606)	(1,252)
Expected return on assets less interest on liabilities in respect of defined benefit pension scheme	**(14)**	(20)	(40)
Fair value losses on interest rate swaps transferred from equity	**-**	(2)	(4)
Total borrowing costs	**(724)**	(628)	(1,296)
Less: capitalised interest	**54**	44	95
Total finance costs	**(670)**	(584)	(1,201)
Other gains and losses			
Gains arising from ineffective portion of cash flow hedges	**-**	5	9
Losses arising from ineffective portion of cash flow hedges	**(12)**	(3)	(77)
(Losses)/gains arising from cash flow hedge accounting	**(12)**	2	(68)
Net decrease in fair value of fair value hedges	**(31)**	(337)	(213)
Net decrease in fair value of fair value hedged debt	**33**	223	209
Gain on disposal of fair value hedge	**-**	103	-
Gains/(losses) arising from fair value hedge accounting	**2**	(11)	(4)
Increase in fair value of derivatives not hedge accounted	**(128)**	(317)	(201)
Increase in fair value of non hedge accounted debt	**(27)**	(1)	(8)
Decrease in fair value of non-hedge accounted investments	**-**	-	(192)
Losses arising from non-hedge accounting	**(155)**	(318)	(401)
Foreign exchange gains on cash balances	**-**	17	-
Foreign exchange losses on unhedged debt	**-**	(14)	-
Gains arising from foreign exchange movements	**-**	3	-
Total other gains and losses	**(165)**	(324)	(473)

5. Tax

	Unaudited six months ended 30 September 2010 £m	Unaudited six months ended 30 September 2009 £m	Audited year ended 31 March 2010 £m
Current tax:			
UK corporation tax at 27% (2009: 28%):	**1**	1	1
Less advance corporation tax (ACT) set-off	**-**	-	-
Corporation tax liability	**1**	1	1
Prior year credit	**-**	-	(8)
Group relief payable to Network Rail Holdco Limited	**1**	-	3
Total current tax	**2**	1	(4)
Deferred tax:			
Deferred tax at 27% (2009: 28%):			
Current year charge	**97**	46	120
Change of corporation tax rate	**(75)**	-	-
Abolition of Industrial Buildings Allowance	**-**	-	(5)
Total deferred tax	**22**	46	115
Total tax	**24**	47	111

The total tax rate in the interim period is 18.1% (2009: 32.5%) representing the best estimate of the effective tax rate expected for the full financial year. The interim tax charge includes the full recognition (rather than an apportionment) of a £75m credit in respect of substantively enacted changes to the corporation tax rate.

The rate used for the purposes of deferred tax in these accounts is 27% (2009: 28%) as this is the current rate and the rate at which the temporary differences are expected to reverse.

6. Property, plant and equipment – the railway network

	Group £m
Valuation	
At 1 April 2009	34,925
Additions	3,920
Depreciation charge for the year	(1,193)
Transfers to investment property	10
Revaluation in the year	(1,033)
At 31 March 2010	36,629
Additions	1,732
Depreciation charge for the period	(626)
Revaluation in the period	805
At 30 September 2010	**38,540**

In the prior year ended 31 March 2009 Ove Arup and Partners reviewed Network Rail Infrastructure Limited's engineering assessment of the serviceable economic lives of the major asset categories that comprise the railway network and their depreciated replacement cost. They confirmed in writing to the Directors that the basis upon which the assessment had been prepared was reasonable.

Given the interdependency of the assets comprising the railway network, the Group has concluded that the railway network is a single cash generating unit and that its fair value is the estimated future cash flows that will be generated in perpetuity, discounted at the regulatory pre-tax cost of capital, as set by the Office of Rail Regulation (ORR) in its Periodic Review. The estimate of the fair value is based on the regulatory asset base (RAB) which is based on a discounted future cash flow calculation adjusted for the net present value of any variances from the ORR's determination included in the Group's business plan. This takes into account: the provisional ORR RAB balance; any regulatory out/under-performance derived by comparing future income and expenditure projections, in the Group's business plan, against the regulatory settlement; assets funded directly by third party contributions rather than RAB funded; and an adjustment to reflect that a subset of this valuation is disclosed separately as investment properties.

The depreciation charge for any year is calculated using the average carrying value for the year and the estimated weighted average remaining useful economic life of the railway network. The weighted average remaining economic life of the railway network was calculated using the engineering assessment of serviceable economic lives of the major categories that comprise the railway network. The estimated remaining weighted average useful economic life of the network is currently 30 years (2009: 30 years).

7. Bank loans and overdrafts

	Unaudited 30 September 2010 £m	Unaudited 30 September 2009 £m	Audited 31 March 2010 £m
Bank loans and overdrafts	**1,323**	1,314	1,311
Bonds issued under the Debt Issuance Programme (less unamortised discount and fees)	**23,455**	23,283	24,292
	24,778	24,597	25,603
The borrowings are repayable as follows:			
On demand or due within one year	**1,816**	2,378	2,223
Due within one to two years	**1,948**	2,342	2,360
Due within two to five years	**1,656**	2,411	1,988
Due in more than five years	**19,358**	17,466	19,032
	24,778	24,597	25,603
Less: amounts repayable within one year (shown under current liabilities):			
Bank loans and overdrafts	**(100)**	(2)	(102)
Bonds issued under Debt Issuance Programme (less unamortised discount and fees)	**(1,716)**	(2,376)	(2,121)
Amounts repayable within one year	**(1,816)**	(2,378)	(2,223)
Amounts repayable after more than one year	**22,962**	22,219	23,380

All borrowings are denominated in or swapped into sterling.

7. Bank loans and overdrafts (continued)

Bonds issued under the Debt Issuance Programme are analysed as follows*:

	Unaudited 30 September 2010 £m	Unaudited 30 September 2009 £m	Audited 31 March 2010 £m
1.085% sterling index linked bond due 2052	108	104	106
0% sterling index linked bond due 2052	102	102	102
1.003% sterling index linked bond due 2051	20	19	20
0.53% sterling index linked bond due 2051	105	102	102
0.517% sterling index linked bond due 2051	104	101	101
0% sterling index linked bond due 2051	111	105	108
0.678% sterling index linked bond due 2048	103	99	101
1.125% sterling index linked bond due 2047	3,475	2,091	3,411
0% sterling index linked bond due 2047	71	64	67
1.335% sterling index linked bond due 2045	42	39	41
1.5646% sterling index linked bond due 2044	234	233	227
1.1565% sterling index linked bond due 2043	47	44	46
1.1845% sterling index linked bond due 2041	58	54	57
1.2219% sterling index linked bond due 2040	233	231	225
1.2025% sterling index linked bond due 2039	63	59	62
4.6535% sterling bond due 2038	100	100	100
1.375% sterling index linked bond due 2037	3,952	3,782	3,876
4.75% sterling bond due 2035	1,223	1,218	1,223
1.6492% sterling index linked bond due 2035	354	348	343
4.375% sterling bond due 2030	869	869	869
1.75% sterling index linked bond due 2027	3,091	2,964	3,035
4.57% Norwegian krone bond due 2026	15	15	16
4.615% Norwegian krone bond due 2026	54	55	58
1.9618% sterling index linked bond due 2025	297	296	288
4.75% sterling bond due 2024	727	725	726
2.28% Japanese yen bond due 2021	84	72	73
2.315% Japanese yen bond due 2021	84	73	74
2.15% Japanese yen bond due 2021	83	72	72
2.76% Swiss Franc bond due 2021	211	178	193
4.625% sterling bond due 2020	997	994	996
4.4% Canadian dollar bond due 2016	331	301	333
6% Australian dollar bond due 2016	308	267	294
4.875% sterling bond due 2015	993	989	993
3.5% US dollar bond due 2013	793	775	821
1.75% US dollar bond due 2013	651	-	656
4.875% sterling bond due 2012	998	995	997
2% US dollar bond due 2012	648	632	669
4.375% sterling bond due 2011	425	448	449
5.25% US dollar bond due 2011	655	667	691
3% US dollar bond due 2011	636	625	658
5.5% Australian dollar bond due 2010	-	469	513
5.125% sterling bond due 2010	-	500	500
3.875% US dollar bond due 2009	-	626	-
4.875% US dollar bond due 2009	-	781	-
	23,455	23,283	24,292

*Amounts are shown net of unamortised discount and fees.

7. Bank loans and overdrafts (continued)

Bank loans and overdrafts are analysed as follows:

	Unaudited 30 September 2010 £m	Unaudited 30 September 2009 £m	Audited 31 March 2010 £m
Index-linked European Investment Bank due 2037	**396**	384	384
HSBC Bank due 2019 repayable by instalments	**208**	208	208
Barclays Bank due 2017 repayable by instalments	**50**	53	50
Royal Bank of Scotland due 2017 repayable by instalments	**69**	69	69
5.57% European Investment Bank due 2013	**200**	200	200
5.77% European Investment Bank due 2012	**300**	300	300
6.42% European Investment Bank due 2011	**100**	100	100
	1,323	1,314	1,311

8. Notes to the cash flow statement

	Unaudited six months ended 30 September 2010 £m	Unaudited six months ended 30 September 2009 £m	Audited year ended 31 March 2010 £m
Operating profit	**1,124**	1,094	1,981
Adjustments for:			
Depreciation of the railway network	**626**	587	1,193
Amortisation of capital grants	**(26)**	(25)	(52)
Amortisation of intangible assets	**4**	-	1
(Decrease)/increase in provisions	**(21)**	-	48
Operating cash flows before movements in working capital	**1,707**	1,656	3,171
Decrease/(increase) in inventories	**12**	(8)	(44)
Decrease in receivables	**142**	389	67
Decrease in payables	**(10)**	(197)	(29)
Cash generated from operations	**1,851**	1,840	3,165
Income taxes paid	**-**	(1)	(20)
Interest paid	**(257)**	(201)	(911)
Net cash generated from operating activities	**1,594**	1,638	2,234

Cash and cash equivalents (which are represented as a single class of assets on the face of the balance sheet) comprise cash at bank and investments with a maturity of up to three months.

9. Analysis of changes in net debt

	At 1 April 2010 £m	Cash flows £m	Non cash movements £m	Capital accretion £m	Amortisation of discount £m	Fair value remeasure-ments £m	Foreign exchange differences £m	At 30 September 2010 £m
Cash and cash equivalents*	**1,767**	(960)	-	-	-	-	-	**807**
Borrowings due within one year	**(2,223)**	887	(691)	-	-	37	174	**(1,816)**
Borrowings due after one year	**(23,380)**	-	691	(267)	(3)	(31)	28	**(22,962)**
Obligations under finance leases	**(2)**	-	-	-	-	-	-	**(2)**
	(23,838)	**(73)**	**-**	**(267)**	**(3)**	**6**	**202**	**(23,973)**

* Excludes collateral of £248m (31 March 2010: £554m)

	At 1 October 2009 £m	Cash flows £m	Non cash movements £m	Capital accretion £m	Amortisation of discount £m	Fair value remeasure-ments £m	Foreign exchange differences £m	At 31 March 2010 £m
Cash and cash equivalents*	**2,354**	(570)	-	-	-	-	(17)	**1,767**
Borrowings due within one year	**(2,378)**	1,004	(1,060)	(2)	(2)	110	105	**(2,223)**
Borrowings due after one year	**(22,219)**	(1,841)	1,060	(134)	(2)	(131)	(113)	**(23,380)**
Obligations under finance leases	**(1)**	(1)	-	-	-	-	-	**(2)**
	(22,244)	**(1,408)**	**-**	**(136)**	**(4)**	**(21)**	**(25)**	**(23,838)**

* Excludes collateral of £320m (31 March 2010: £554m)

	At 1 April 2009 £m	Cash flows £m	Non cash movements £m	Capital accretion £m	Amortisation of discount £m	Fair value remeasure -ments £m	Foreign exchange differences £m	At 30 September 2009 £m
Cash and cash equivalents*	**661**	1,676	-	-	-	-	17	**2,354**
Borrowings due within one year	**(1,773)**	185	(910)	-	-	121	(1)	**(2,378)**
Borrowings due after one year	**(21,192)**	(1,985)	910	(211)	(5)	101	163	**(22,219)**
Obligations under finance leases	**(3)**	2	-	-	-	-	-	**(1)**
Financial investments	**-**							
	(22,307)	**(122)**	**-**	**(211)**	**(5)**	**222**	**179**	**(22,244)**

* Excludes collateral of £320m (31 March 2009: £1,062m)

10. Contingent liabilities

Provision has been made for the Directors' best estimate of the known claims, investigations and legal actions in progress.